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CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 31)

ANNOUNCEMENT OF ANNUAL RESULTS 2021

The Board of Directors (the “Board”) of China Aerospace International Holdings Limited (the “Company”) is pleased to announce the audited results and financial statements of the Company and its subsidiaries (collectively the “Group”) for the financial year ended 31 December 2021.

SUMMARY OF RESULTS

The audited consolidated results of the Group for the year ended 31 December 2021 and the comparative figures of the same period in 2020 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Continuing operations			
Revenue	3	4,745,367	3,579,972
Cost of sales		(3,670,707)	(2,612,018)
Gross profit		1,074,660	967,954
Other income	4	76,899	51,533
Other gains and losses	4	204,662	2,073
Impairment loss under expected credit loss model, net of reversal			
— trade receivables		(121,701)	1,341
— other receivables		—	(55,994)
Selling and distribution expenses		(69,360)	(53,658)
Administrative expenses		(417,002)	(372,136)
Research and development expenses		(140,236)	(113,214)
Fair value changes of investment properties		(47,724)	(1,288)
Finance costs		(76,946)	(72,179)
Share of results of associates		20,375	18,512
Share of results of joint ventures		(17,525)	16,442

		2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
	<i>NOTES</i>		
Profit before taxation	5	486,102	389,386
Taxation	6	(82,888)	(64,280)
Profit for the year from continuing operations		403,214	325,106
Discontinued operations			
Profit for the year from discontinued operations		—	53,459
Profit for the year		403,214	378,565
Profit attributable to owners of the Company			
- from continuing operations		345,764	243,016
- from discontinued operations		—	53,665
Profit for the year attributable to owners of the Company		345,764	296,681
Profit (loss) attributable to non-controlling interests			
- from continuing operations		57,450	82,090
- from discontinued operations		—	(206)
Profit for the year attributable to non-controlling interests		57,450	81,884
		403,214	378,565
Earnings per share	7		
From continuing and discontinued operations			
Basic		HK11.21cents	HK9.62 cents
From continuing operations			
Basic		HK11.21cents	HK7.88 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year	<u>403,214</u>	<u>378,565</u>
Other comprehensive income (expense) includes:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations		
- subsidiaries	227,877	542,017
- associates	9,154	16,859
- joint ventures	2,378	45,506
Reclassification adjustments for the cumulative exchange differences upon deemed disposal of subsidiaries	—	(6,060)
	<u>239,409</u>	<u>598,322</u>
Total comprehensive income for the year	<u><u>642,623</u></u>	<u><u>976,887</u></u>
Total comprehensive income for the year attributable to:		
Owners of the Company	523,839	741,883
Non-controlling interests	118,784	235,004
	<u><u>642,623</u></u>	<u><u>976,887</u></u>
Total comprehensive income attributable to owner of the Company:		
- from continuing operations	523,839	687,093
- from discontinued operations	—	54,790
	<u><u>523,839</u></u>	<u><u>741,883</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,561,752	1,372,365
Right-of-use assets		188,188	252,649
Investment properties		9,796,960	9,594,734
Interests in associates		288,347	253,529
Interests in joint ventures		148,776	163,923
Deposit paid for property, plant and equipment		17,820	60,081
Long-term bank deposits		161,369	119,190
Pledged bank deposits		8,068	7,867
Long term assets	9	458,622	556,033
		12,629,902	12,380,371
Current assets			
Inventories		729,599	462,124
Trade and other receivables	9	1,558,942	1,239,422
Amount due from a related party		208	—
Financial assets at fair value through profit or loss		5,564	3,895
Pledged bank deposits		55,193	45,090
Restricted bank deposits		32,325	—
Short-term bank deposits		462,291	122,721
Bank balances and cash		1,395,138	1,863,141
		4,239,260	3,736,393
Current liabilities			
Trade and other payables	10	1,495,937	1,488,229
Contract liabilities		73,759	40,968
Lease liabilities		31,499	31,131
Amount due to a joint venture		37,375	—
Loan from a related party		13,508	—
Taxation payable		119,743	62,028
		1,771,821	1,622,356
Net current assets		2,467,439	2,114,037
Total assets less current liabilities		15,097,341	14,494,408

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	65,803	63,749
Loan from a controlling shareholder	611,247	595,948
Loan from a related party	952,445	940,524
Deferred taxation	2,625,080	2,608,449
	<u>4,254,575</u>	<u>4,208,670</u>
	<u>10,842,766</u>	<u>10,285,738</u>
Capital and reserves		
Share capital	1,154,511	1,154,511
Reserves	7,233,603	6,771,464
	<u>8,388,114</u>	<u>7,925,975</u>
Equity attributable to owners of the Company	<u>2,454,652</u>	<u>2,359,763</u>
Non-controlling interests	<u>10,842,766</u>	<u>10,285,738</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values.

2. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16
Amendments to HKFRS 9,
HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

Covid-19-Related Rent Concessions
Interest Rate Benchmark Reform - Phase 2

The Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the President, the chief operating decision maker ("CODM") of the Group, that are used to make strategic decisions. The operating segments regarding the Internet of Things and Cross-border e-commerce were discontinued in the prior period upon the deemed disposal of Aerospace Digitnexus Information Technology (Shenzhen) Limited ("Aerospace Digitnexus"). The segment information reported below does not include any amounts for these discontinued operations. There were 6 reportable segments, namely Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers and industrial property investment) and Aerospace Service (including property investment in Shenzhen Aerospace Science & Technology Plaza) which represent the major industries in which the Group is engaged.

In addition to the above reportable segments, other operating segments include property investments and management in properties other than those included in the above reportable segments and provision for other services. None of these segments met the quantitative thresholds for the reportable segment in both current and prior year. Accordingly, these were grouped in "Other Business".

An analysis of the Group's revenue and results from continuing operations by operating and reportable segments is as follows:

For the year ended 31 December 2021 Continuing operations

	Revenue			Segment results
	External sales	Inter-segment sales	Total	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hi-Tech Manufacturing Business				
Plastic products	1,459,512	69,572	1,529,084	32,084
Liquid crystal display	1,062,204	—	1,062,204	57,430
Printed circuit boards	1,334,669	—	1,334,669	85,650
Intelligent chargers	421,123	27,937	449,060	7,230
Industrial property investment	11,260	25,280	36,540	7,125
	<u>4,288,768</u>	<u>122,789</u>	<u>4,411,557</u>	<u>189,519</u>
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	<u>440,370</u>	<u>877</u>	<u>441,247</u>	<u>301,009</u>
Reportable segments total	<u>4,729,138</u>	<u>123,666</u>	<u>4,852,804</u>	<u>490,528</u>
Elimination	—	(123,666)	(123,666)	—
Other Business	<u>16,229</u>	<u>—</u>	<u>16,229</u>	<u>5,890</u>
	<u>4,745,367</u>	<u>—</u>	<u>4,745,367</u>	<u>496,418</u>
Unallocated corporate income				54,678
Unallocated corporate expenses				(75,348)
Gain on land resumptions				200,861
Gain on deemed partial disposal of an associate				5,289
Impairment loss under expected credit loss model				(121,701)
Share of results of associates				20,375
Share of results of joint ventures				(17,525)
Finance costs				(76,946)
Profit before taxation from continuing operations				<u>486,101</u>

For the year ended 31 December 2020

Continuing operations

	Revenue			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	1,118,922	44,133	1,163,055	52,728
Liquid crystal display	753,589	1,280	754,869	59,508
Printed circuit boards	996,365	—	996,365	81,787
Intelligent chargers	302,262	2,299	304,561	14,019
Industrial property investment	13,482	15,641	29,123	10,159
	<u>3,184,620</u>	<u>63,353</u>	<u>3,247,973</u>	<u>218,201</u>
Aerospace Service				
Property investment in Shenzhen				
Aerospace Science & Technology Plaza	385,261	2,779	388,040	309,927
Reportable segments total	3,569,881	66,132	3,636,013	528,128
Elimination	—	(66,132)	(66,132)	—
Other Business	10,091	—	10,091	6,099
	<u>3,579,972</u>	<u>—</u>	<u>3,579,972</u>	<u>534,227</u>
Unallocated corporate income				34,634
Unallocated corporate expenses				(103,823)
Gain on land resumptions				17,567
Impairment loss under expected credit loss model				(55,994)
Share of results of associates				18,512
Share of results of joint ventures				16,442
Finance costs				(72,179)
Profit before taxation from continuing operations				<u>389,386</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by/loss from each segment without allocation of interest income, change in fair value of financial assets at fair value through profit or loss, share of results of joint ventures and associates, gain on land resumptions, gain on deemed partial disposal of an associate, interest expenses and other corporate income and corporate expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at cost-plus basis.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	2021 HK\$'000	2020 HK\$'000
Continuing operations		
The Group's other income comprises:		
Interest income	37,109	19,003
Sales of scrap materials	24,733	17,086
Government subsidies (Note a)	9,928	3,764
Government grants in respect of COVID-19-related subsidies (Note b)	—	6,481
	<u> </u>	<u> </u>

The Group's other gains and losses mainly comprise:

Net exchange loss	(3,400)	(12,875)
Net gain (loss) from change in fair value of financial assets at fair value through profit or loss	1,669	(1,892)
Net gain on land resumptions	200,861	17,567
Net gain (loss) on disposal/written off of property, plant and equipment	17	(727)
Gain on deemed partial disposal of an associate	5,289	—
	<u> </u>	<u> </u>

Notes:

- (a) The government subsidies mainly represent the incentive provided by the PRC local authorities to the Group for encouragement of business development. There were no specific conditions attached to the grants and the Group recognised the grants upon receipts.
- (b) During the year ended 31 December 2020, the Group recognised government grants in respect of COVID-19-related subsidies, including subsidies from the Employment Support Schedule provided by the Hong Kong Government of HK\$5,616,000.

5. PROFIT BEFORE TAXATION

	2021 HK\$'000	2020 HK\$'000
Continuing operations		
Profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	3,669	3,901
Cost of inventories charged to profit or loss including net allowance for obsolete inventories of HK\$369,000 (2020: HK\$1,012,000)	3,624,196	2,571,263
Depreciation of property, plant and equipment	201,817	155,931
Depreciation of right-of-use assets	41,446	36,022
Staff costs, including directors' remuneration	941,199	731,401
Gross rental income from investment properties	(370,482)	(315,792)
Less: Direct operating expenses for investment properties that generated rental income during the year	10,934	10,383
	<u>(359,548)</u>	<u>(305,409)</u>

6. TAXATION

	2021 HK\$'000	2020 HK\$'000
Continuing operations		
The tax charge (credit) for the year comprises:		
Current tax		
Hong Kong Profits Tax	13,639	3,100
PRC Enterprise Income Tax	118,065	59,857
	<u>131,704</u>	<u>62,957</u>
Overprovision in prior years		
Hong Kong Profits Tax	(225)	(2,391)
PRC Enterprise Income Tax	—	—
	<u>(225)</u>	<u>(2,391)</u>
Deferred tax (credit) charge	<u>(48,591)</u>	<u>3,714</u>
	<u>82,888</u>	<u>64,280</u>

Hong Kong Profits Tax for both periods is calculated at 16.5% of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Three subsidiaries (2020: three subsidiaries) of the Company operating in the PRC are eligible as High and New Technology Enterprise till the dates ranging from 1 December 2022 to 30 November 2023 (2020: from 1 December 2022 to 30 November 2023) and the income tax rate of these subsidiaries is 15%.

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprise engaging in research and development activities are entitled to claim 200% (2020: 175%) of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2021 HK\$'000	2020 HK\$'000
From continuing operations		
Profit for the year attributable to owners of the Company	345,764	296,681
Less: profit from discontinued operations	—	(53,665)
Earnings for the purpose of basic earnings per share from continuing operations	<u>345,764</u>	<u>243,016</u>
	2021	2020
	Number	Number
	of shares	of shares
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	<u>3,085,022,000</u>	<u>3,085,022,000</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
From continuing and discontinued operations		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>345,764</u>	<u>296,681</u>

The denominators used are the same as those detailed above for basic earnings per share from continuing operations.

From discontinued operations

Basic earnings per share for the discontinued operations was HK1.74 cents per share for the year ended 31 December 2020, based on the profit for the year from the discontinued operations of approximately HK\$53,665,000 and the denominators detailed above for basic earnings per share from continuing operations.

No diluted earnings per share have been presented as there were no potential ordinary shares outstanding for both years.

8. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2020 final dividend of HK2 cents (2020: 2019 final dividend of HK2 cents) per ordinary share	<u>61,700</u>	<u>61,700</u>

A final dividend of HK2 cents per share in respect of the year ended 31 December 2021 (2020: HK2 cents) has been proposed by the board of directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

9. TRADE AND OTHER RECEIVABLES AND LONG-TERM ASSETS

As at 31 December 2021, the Group's total trade and other receivables comprised of trade receivables arising from contracts with customers, leases receivables and other receivables, deposits and prepayments of HK\$1,246,235,000, net of allowance for credit losses of HK\$30,034,000 (2020:HK\$1,055,015,000, net of allowance for credit losses of HK\$16,000,000), HK\$657,243,000, net of allowance for credit losses of HK\$114,070,000 (2020: HK\$638,244,000, net of allowance for credit losses of HK\$6,450,000) and HK\$114,086,000, net of allowance for credit losses of HK\$62,628,000 (2020:HK\$102,196,000, net of allowance for credit losses of HK\$59,577,000), respectively.

The Group allows an average credit period of 30 to 120 days to its trade customers. No credit period was granted to tenants of rental of premises. Receivables are unsecured and interest-free.

The following is an aged analysis of trade receivables arising from contracts with customers net of allowance for credit losses presented based on invoice date at the end of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	1,074,453	966,468
Between 91 - 180 days	156,979	85,459
Between 181 - 365 days	<u>14,803</u>	<u>3,088</u>
	<u>1,246,235</u>	<u>1,055,015</u>

The following are the aged analysis of billed rental receivables presented based on invoice date which are also past due balances at the end of the reporting period:

	2021 HK\$'000	2020 <i>HK\$'000</i>
Within 90 days	100,781	53,994
Between 91 - 180 days	47,011	—
	147,792	53,994

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	2021 HK\$'000	2020 <i>HK\$'000</i>
Within 90 days	694,483	507,652
Between 91 - 180 days	3,697	43,574
Between 181 - 365 days	—	44,070
Over 1 year	4,460	5,677
	702,640	600,973

CHAIRMAN'S STATEMENT

2021 was an exceptional year, with the pandemic of the novel coronavirus spreading around the world. While the pandemic continued to have a severe impact on the global economy, however, benefited from China's success with global attention in coordinating economic development and pandemic prevention and control, the Company also took precautionary measures to deal with the outbreak of the novel coronavirus, made every effort to protect its employees' health and fully committed to developing its market and doing various jobs in production operations at the same time, and hence completed its development duties during the year.

On behalf of the Board of Directors of the Company, I am pleased to present the results of the Company and its subsidiaries for the year ended 31 December 2021.

RESULTS

For the year ended 31 December 2021, the operating revenue of the Company and its subsidiaries from continuing and discontinued operations was HK\$4,745,367,000 (2020: HK\$3,580,121,000), representing an increase of 32.55% as compared with last year. Impacted by the price surge of bulk commodities and the shortage of the components, production costs rose as compared to that of last year, and the gross profit margin decreased to 22.65% from 27.02% of last year. The Company and its subsidiaries recorded a net profit of HK\$403,214,000 after taking into account the effect of changes in fair value of investment properties, representing an increase of 6.51% as compared to that of HK\$378,565,000 in 2020. Profit from continuing and discontinued attributable to shareholders was HK\$345,764,000, an increase of 16.54% as compared to that of HK\$296,681,000 in 2020; earnings per share from continuing and discontinued attributable to shareholders was HK11.21 cents (2020: HK9.62 cents). After excluding the effects of changes in fair value of investment properties and related deferred tax and non-controlling interests, profit attributable to shareholders of the Company was HK\$363,410,000 (2020: HK\$288,187,000), representing an increase of 26.10% as compared to last year.

Taking into account the Company's development needs and capital position, the Board recommends the payment of an annual dividend of HK2 cents per share.

BUSINESS REVIEW

As the major listing platform of China Aerospace Science & Technology Corporation in Hong Kong, the Company implemented the "14th Five-Year" Plan of strategic development, continuously deepening reforms and heading for high quality development, thereby smoothly promoting its business operations.

Hi-tech manufacturing

In 2021, through continuous optimisation of product structure, persistence in innovation, gradual expansion of production capacity and increasing in automation level, the hi-tech manufacturing business overcame various unfavourable factors such as the fluctuation in global demand, supply chain interruption, price surge of bulk commodities, shortage of components, appreciation of RMB, dual national control of energy and consumption and power control policy, resulting in a significant growth of operating revenue as compared with last year. The hi-tech manufacturing business recorded an operating revenue of HK\$4,288,768,000 (2020: HK\$3,184,620,000), representing an increase of 34.67% as compared with last year; operating profit was HK\$189,519,000 (2020: HK\$218,201,000), representing an decrease of 13.14% as compared with last year.

The plastic injection moulding business has established an innovative R&D centre, which is responsible for new product planning and new customer tracking. Business from key customers in Mainland China had already seen results, resulting in a much outstanding performance and an increase in operating revenue as compared to last year. The production base invested and constructed in Vietnam came into operation in the first half of the year. The Vietnam team overcame operational difficulties, organised the fight against the novel coronavirus pandemic and actively explored the market, and approved the review of qualifications for a number of suppliers.

The liquid crystal display (LCD) business actively followed the adjustment and changes in market policies throughout the year, strengthened the services and communications, perfected the customer orders management and ensured delivery schedules. Results of the domestic and overseas market grew significantly.

The printed circuit board business increased the investment effort into technological reformation and accelerated product structural adjustment, resulting in a higher growth of sales revenue and profit in the business of circuit board of automobile. Businesses of integrated circuit carrier board, MEMS (Micro-Electro-Mechanical System), rigid-flex board built up customer base and realised mass production.

Facing the changing international environment, the intelligent chargers business built a production plant in Vietnam in order to expand more overseas markets and reduce production costs. It came into operation and started to deliver gradually in the fourth quarter. The establishment of the R&D centre has initiated various R&D projects such as medium-to-high power charger, medium-to-high power inverter, brushless motor, and increased the R&D investment in high-tech products.

Shenzhen Aerospace Science & Technology Plaza

In 2021, Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) (“Shenzhen Aerospace”) and its wholly-owned property management company provided a stable revenue to the Company. In 2021, the leasing and related business of Shenzhen Aerospace recorded a total operating revenue of HK\$440,370,000, representing an increase of 14.30% as compared to the operating revenue of HK\$385,261,000 in 2020; and an operating profit of HK\$301,009,000, representing a decrease of 2.88% as compared to that of HK\$309,927,000 in 2020. Affected by the pandemic, the rental and price of properties in Nanshan District, Shenzhen had decreased in general, and that impacted on the fair value and operating profit of investment properties in Shenzhen Aerospace Science & Technology Plaza, Shenzhen Aerospace encountered issues in collecting rent and management fees as a result of the uncertainty in economy and made a provision of HK\$121,701,000. Excluding the effect of changes in fair value of investment properties, the operating profit of the business was HK\$353,165,000 (2020: HK\$315,978,000).

As at the end of 2021, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,734,464,000 (2020: RMB7,770,800,000).

China Aerospace (Huizhou) Industrial Garden Limited

In cooperation with the urban renewal work of the local government, the Company and China Aerospace (Huizhou) Industrial Garden Limited* (航天科技(惠州)工業園發展有限公司), a subsidiary of the Company, entered into various land surrender and compensation agreements with relevant government authorities on 14 December 2020 and 29 June 2021 respectively, a total compensation of RMB276,358,546.93 (equivalent to approximately HK\$328,217,000), which contributed to a net profit before tax of approximately HK\$200,861,000. For details, please refer to the announcement made by the Company on 29 June 2021.

Shenzhen Rayitek Hi-Tech Film Company Limited

Shenzhen Rayitek Hi-Tech Film Company Limited* (深圳瑞華泰薄膜科技股份有限公司), an associate of the Company engaging in the R&D, manufacturing and sales of polyimide films, was listed on Sci-Tech Innovation Board of Shanghai Stock Exchange on 28 April 2021. Upon the listing, the shareholding was diluted from 31.17% to 23.38%. Proceeds from the listing are to be invested in a 1,600 tonnes high-performance polyimide film plant in Jiaxing, Shanghai. Currently, the construction of plant and ancillary facilities is commenced in an orderly manner, and it is expected that the equity value of the shareholding will increase.

Prospects

Looking forward to 2022, the pandemic continues to impact the world, and the changes seen in the past century will accelerate, where the external environment will become more complex and severe, and the market will be full of uncertainties. China's economic development is under triple pressure from shrinking demand, supply shocks and weakening expectations.

All industrial enterprises will continue to be profit-oriented, drive to enhance market expansion effort, increase the construction and investment of R&D and production capacity, so as to lay down the solid foundation for a comprehensive elevation of competence. Plastic injection moulding business consolidates the quality clientele of conventional market, continue to widen its business category through its subsidiary in Vietnam, expands overseas market in a solid manner and realise synergy. At the same time, we will leverage on the function of the technology innovation centre and rely on design and manufacturing of mouldings digitisation to enhance our R&D and production capabilities. The intelligent chargers business will become a new business growth point by strengthening its R&D capabilities and accelerating the R&D progress of key products such as medium-to-high power inverters and brushless motors, with a view to achieving mass production. The printed circuit board business will expand its carrier board capacity in Dongguan, and will validate the construction of new production capacity, while continuing to increase investment in research and development to improve the level of carrier board technology. The LCD business will expand the optical coating capacity of the liquid crystal module (LCM) plant and the large size cleaning capacity of the LCM plant. We will set up a project company of packaging industrialisation with intelligent power module to design, validate and complete the construction of production lines.

Shenzhen Aerospace will actively conduct market research to enhance the quality of property management of Shenzhen Aerospace Science & Technology Plaza, provide good services to customers, enhance the brand effect and ensure that the occupancy rate of the office building and shopping mall remains at a relatively high level.

The Company will closely monitor the development of the pandemic and the macro economy, objectively assess the business situation of each of its subsidiaries, make every effort to perfect the risk control and information disclosure, continue to perfect the information technology development, production safety, energy conservation and emission reduction and pandemic prevention and control, and actively promote the corporate development under the premise of strict risk control.

The Company will continue to enhance its image as a listed company and operate in a compliant manner and make proper information disclosure on its long-term planning and major annual operating activities to comply with regulatory requirements. At the same time, we will strengthen investor relations management and proactively enhance the breadth and depth of its communication with the market to promote the positive development of its principal business.

In 2022, with a global environment full of challenges and opportunities, the Company will actively respond to the challenges and seize the opportunities, making every effort to promote its businesses in accordance with the “14th Five-Year” Plan. We are going to face all challenges with a steadfast confidence, laying down the foundation for a longer-term development. I and all our staff are fully confident in the coming year and we will continue to work diligently and relentlessly with great confidence to create value and reward our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE

The revenue of the Company and the subsidiaries from continuing and discontinued operations for the year ended 31 December 2021 was HK\$4,745,367,000, representing an increase of 32.55% as compared with that of HK\$3,580,121,000 for 2020. The profit from continuing and discontinued operations of this year was HK\$403,214,000, representing an increase of 6.51% as compared with that of HK\$378,565,000 for 2020.

The increase in revenue was mainly due to the increase of sales orders from hi-tech manufacturing, whereas the increase of profit was mainly due to the compensation from the land resumption of Huizhou Industrial Garden.

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Profit attributable to the owners of the Company was HK\$345,764,000, representing a decrease of 16.54% as compared with that of HK\$296,681,000 for 2020.

The increase in profit attributable to the owners was mainly due to the compensation from the land resumption of Huizhou Industrial Garden.

Based on the issued share capital of 3,085,022,000 shares during the year, the basic earnings per share was HK11.21 cents, representing an increase of 16.53% as compared with that of HK9.62 cents for 2020.

DIVIDENDS

The Board proposed the distribution of 2021 final dividend of HK2 cents per share, subject to the approval by shareholders at the annual general meeting to be held on 24 June 2022. If approved, warrants of which will be dispatched to all shareholders on or about 22 July 2022.

The distribution of 2020 final dividend of HK2 cents per share was approved by shareholders at the annual general meeting in June 2021 and warrants of which were dispatched to all shareholders on 20 July 2021.

RESULTS OF CORE BUSINESSES

The core businesses of the Company and the subsidiaries are principally engaged into the research and development, design, professional production, sales and services of the hi-tech manufacturing business such as plastic products, electronic products, power products and semiconductor products, as well as the operation business of Shenzhen Aerospace Science & Technology Plaza.

The Company established a five-year planning, which determined its positioning to become the benchmark of international development and market-driven operation of China Aerospace, with the core strategies being innovation-driven, capital operation, and talent-based enterprise. In the next few years, the Company will focus on the development of advanced manufacturing, modern services and high-tech industries, fully utilizing the resources from the markets in overseas and China, and comprehensively deepening reform to achieve high-quality development of the Company.

The revenue of the hi-tech manufacturing business is the main source of the Company's revenue and that contributes a significant profit and cash flow, while the asset management business of Shenzhen Aerospace Science & Technology Plaza also brings in a stable rental income for the Company, minimizing its individual business risk. The Company will continue to identify and develop new business opportunities.

Hi-tech Manufacturing

In 2021, the novel coronavirus continued to ravage the world, having made a profound impact on the global economy. The pandemic caused supply chain disruptions, and the price of raw materials continued to rise. Coupled with the obstruction of freight and the rise in energy prices, normal production and economic operation were seriously affected. Global trade growth slowed down remarkably. The profits of hi-tech manufacturing industries are affected. At such a difficult time, the hi-tech manufacturing industries strived to improve production quality and automation through technological transformation and research and development, so as to maintain production scale and production capacity, thereby stabilizing the existing customer base; at the same time, it strived to reduce inventory and accounts receivable to maintain a stable and sustainable development. The operating income and profit of certain business segments were able to maintain a double-digit growth.

Among which, the printed circuit board business performed most ideally, with a profit growth of 4.72%, of which the largest increase in revenue came from the rigid board business, accounting for an increase of 51%; whereas the business expansion of plastic products was satisfactory, the operating performance of high-precision molds accounted for an increase in the proportion of growth. The Vietnam factory completed the first phase of basic construction and started production, gradually absorbing the original customers who transferred from China to Vietnam and started realizing revenue; the liquid display business, even under the pressure of lack of chips and screens and rising raw material prices, successfully expanded the Japan market by improving automation equipment and effective resource allocation, and both operating income and profit had increased significantly as compared with the same period of last year.

In order to meet the needs of road construction and urban renewal on Zhongkai Road, Huizhou, the Company and its 90% owned-subsiidiary, China Aerospace (Huizhou) Industrial Garden Limited* (航天科技(惠州)工業園發展有限公司), entered into a number of land surrender and compensation agreements with Huizhou Zhongkai Land Resumption and Reserve Centre and Huihuan Residential District Office respectively on 14 December 2020 and 29 June 2021 with a total land surrender area of 128,337.81 square meters. According to those land surrender and compensation agreements signed on 29 June 2021, the Company and its subsidiaries received compensation in the total amount of RMB 276,358,546.93 (approximately HK\$328,217,000), and recorded a pre-tax net income of approximately HK\$200,861,000. The net proceeds will be mainly used as general working capital of the Company and its subsidiaries. For details, please refer to the announcement published by the Company on 29 June 2021.

Besides, since the establishment of the Company's research and development academy in 2020, it focuses on new technology development and products exploration, leading research and development direction of hi-tech manufacturing business and assisting in product upgrades and transformation of manufacturing capabilities.

The revenue of the hi-tech manufacturing business for the year ended 31 December 2021 was HK\$4,288,768,000, representing an increase of 34.67% as compared with last year; the operating profit was HK\$189,519,000, representing a decrease of 13.14% as compared with last year. The results of the hi-tech manufacturing business are shown below:

	Turnover (HK\$'000)			Operating Profit (HK\$'000)		
	2021	2020	Changes (%)	2021	2020	Changes (%)
Plastic Products	1,459,512	1,118,922	30.44	32,084	52,728	(39.15)
Printed Circuit Boards	1,334,669	996,365	33.95	85,650	81,787	4.72
Intelligent Chargers	421,123	302,262	39.32	7,230	14,019	(48.43)
Liquid Crystal Display	1,062,204	753,589	40.95	57,430	59,508	(3.49)
Industrial Property Investment	11,260	13,482	(16.48)	7,125	10,159	(29.87)
Total	<u>4,288,768</u>	<u>3,184,620</u>	34.67	<u>189,519</u>	<u>218,201</u>	(13.14)

Looking forward to 2022, it is expected that the novel coronavirus pandemic will continue to be volatile, but with the availability of vaccines against variant virus and the continuous injections of vaccinations around the world, the economy is expected to get back on track. However, changes in the political and economic situation will bring uncertainty to the business environment. This together with the instability of the supply chain and expectations of inflation and interest rate hikes will put a heavy pressure on profits. Economic recovery is coupled with hidden risks. At this time of risks and opportunities, the hi-tech manufacturing business will seize the chance, actively explore the market and perform well in risk management; at the same time, improve the level of production automation, maintain production scale and production capacity, and recruit professional talents, continue to develop high-end products and develop new technologies, so as to meet the ever-changing market environment.

Shenzhen Aerospace Science & Technology Plaza

In 2021, the rental income of Shenzhen Aerospace Science & Technology Plaza under Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) (“Shenzhen Aerospace”) brought a consistent and stable income to the Company. However, owing to uncertainties in economic prospects, delay in the payment of rent and management fee happened. Shenzhen Aerospace had already stepped up its efforts in rental collection and made a provision of HK\$121,701,000. Shenzhen Aerospace and Shenzhen Aerospace Technology Property Management Company Limited* (深圳市航天高科物業管理有限公司) (“Shenzhen Property Management”), a wholly-owned subsidiary of Shenzhen Aerospace responsible for property management, recorded a total revenue of HK\$440,370,000 (2020: HK\$385,261,000) and a segment profit of HK\$301,009,000 (2020: HK\$309,927,000). The decrease in segment profit was mainly due to the significant increase in the decline in fair value as compared to the same period of last year.

As at 31 December 2021, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,734,464,000 (2020: RMB7,770,800,000).

In 2022, Shenzhen Property Management will continue to do better in property management, paying special attention to anti-epidemic measures and take effective measures so as to improve the quality of property services, thereby increasing the overall value of the property.

Other business

On 28 April 2021, Shenzhen Rayitek Hi-Tech Film Company Limited* (深圳瑞華泰薄膜科技股份有限公司) (“Shenzhen Rayitek”), an associate company in which the Company indirectly holds 31.17% shares, was officially listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange (stock code: 688323). The issue price per share was RMB5.97, and a total of 45,000,000 new shares were issued, which is equivalent to approximately 25% of the enlarged issued share capital. For this reason, the Company's indirect interest in Shenzhen Rayitek was diluted from 31.17% to approximately 23.38%. A segment income from deemed disposal of an associate of HK\$5,289,000 was recorded. Details of which please refer to the Company's announcements published on 17 March, 9 April, 16 April and 27 April 2021.

ASSETS

(HK\$'000)	31 December 2021	31 December 2020	Changes (%)
Non-Current Assets	12,629,902	12,380,371	2.02
Current Assets	4,239,260	3,736,393	13.46
Total Assets	16,869,162	16,116,764	4.67

The increase in non-current assets was mainly due to the increase in exchange differences arising from the conversion of assets denominated in RMB, while the increase in current assets was due to an increase in trade and other receivables and inventories. The equity attributable to shareholders of the Company was HK\$8,388,114,000, representing an increase of 5.83% as compared with that of HK\$7,925,975,000 as at the end of 2020.

The equity attributable to shareholders increased as compared with the end of last year, which was mainly due to the land resumption compensation. Based on the issued share capital of 3,085,022,000 shares during the year, the net assets per share attributable to shareholders of the Company was HK\$2.72.

As at 31 December 2021, a cash deposit of HK\$63,261,000 and bills receivable of HK\$83,005,000 of the Company and the subsidiaries had been pledged to banks to obtain credit facilities. Property right certificates at an approximate value of RMB1,900,000,000 of Shenzhen Aerospace Science & Technology Plaza were mortgaged by Shenzhen Aerospace to Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司) so as to obtain a 12-year term loan facility in the amount of RMB1,300,000,000. Details of which please refer to the Company's announcement published on 30 August 2016.

LIABILITIES

(HK\$'000)	31 December 2021	31 December 2020	Changes (%)
Non-Current Liabilities	4,254,575	4,208,670	1.09
Current Liabilities	1,771,821	1,622,356	9.21
Total Liabilities	6,026,396	5,831,026	3.35

The increase in non-current liabilities was mainly due to the increase in exchange differences arising from the conversion of liabilities denominated in RMB, whereas the increase in current liabilities were mainly due to an increase in inventories as a result of an increase in trade and other payables, as well as an increase in tax payable correspondingly.

As at 31 December 2021, the Company and its subsidiaries had other borrowings of HK\$1,577,200,000.

OPERATING EXPENSES

The administrative expenses from continuing and discontinued operations of the Company and the subsidiaries in 2021 were HK\$417,002,000, representing an increase of 12.06%, mainly due to the increase in labour costs and depreciation and amortization expenses as compared with last year. The finance costs amounted to HK\$76,946,000, representing an increase of 6.60% as compared with last year.

CONTINGENT LIABILITIES

As at 31 December 2021, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

	2021	2020
Gross Profit Margin from continuing and discontinued operations	22.65%	27.02%
Return from continuing and discontinued operations on Net Assets	3.72%	3.68%
	31 December 2021	31 December 2020
Assets-Liabilities Ratio	35.72%	36.18%
Current Ratio	2.39	2.30
Quick Ratio	1.98	2.02

LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources and banking facilities. As at 31 December 2021, the cash and bank balance and short-term bank deposits amounted to HK\$1,857,429,000, the majority of which were in Hong Kong Dollars and Renminbi.

CAPITAL EXPENDITURE

As at 31 December 2021, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the consolidated financial statements was approximately HK\$87,746,000, mainly the capital expenditure for the acquisition of fixed assets.

FINANCIAL RISKS

The Company and the subsidiaries review the cash flow and financial position periodically and do not presently engage into any financial instruments or derivatives to hedge the exchange and the interest rate risks.

HUMAN RESOURCES AND REMUNERATION POLICIES

In 2021, the novel coronavirus epidemic persists. Under the premise of attaching great importance to the health of employees, the Company established a leading group for the prevention and control of novel coronavirus to strengthen work of the prevention and control of the epidemic. In addition, the Company and its subsidiaries also encouraged employees to get vaccinated to protect themselves and their families, and provide leaves to those employees. In 2021, most of the Company's employees completed two doses of the vaccine. Under the threat of the recent fifth wave of the epidemic, the Company will continue to encourage employees to receive the third dose of the vaccine, while taking appropriate and rigorous pandemic prevention measures, including flexible working hours, working from home, avoiding going out for lunch, and encouraging employees to take PCR tests.

The remuneration policy of the Company and the subsidiaries is based on the employee's qualifications, experience and performance on the job, with reference to the current market situation. The Company and the subsidiaries will continue to upgrade the human resources management skills and strictly implement the performance-based appraisal system, in order to motivate employees to make continuous improvement in their individual performance and contributions to the Company.

As at 31 December 2021, the Company and the subsidiaries had a total of approximately 6,811 employees based in the mainland and Hong Kong respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There had been no purchase, sale or redemption of the Company's listed securities by the Company and its subsidiaries during the year.

CORPORATE GOVERNANCE

During 2021, the Company had complied with the provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

DIRECTORS' AND EXECUTIVE'S INTERESTS IN SHARES

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the required standard for the Directors of the Company to trade the securities of the Company. Having made specific enquiry to all the Directors of the Company and in accordance with information provided, all the Directors have complied with the provisions under the Model Code in 2021.

As at 31 December 2021, save for Mr Liu Xudong, Mr Hua Chongzhi and Mr Mao Yijin, the Directors of the Company, are the officers of subsidiaries of the substantial shareholder China Aerospace Science & Technology Corporation, none of the directors, chief executives or their associates have any beneficial or non-beneficial interests or short positions in the share capital, warrants and options of the Company or its subsidiaries or any of its associated corporations which is required to be recorded in the Register of Directors' Interests pursuant to Part XV of the Securities & Futures Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

AUDIT COMMITTEE

In 2021, the Audit Committee comprises Mr Luo Zhenbang (Chairman) and Ms Leung Sau Fan, Sylvia, both being Independent Non-Executive Directors; and Mr Mao Yijin, being a Non-Executive Director. The major functions of the Audit Committee include serving as a focal point for communication between the Directors and external auditors, reviewing the Company's financial information as well as overseeing the Company's financial reporting system, risk management and internal control procedures.

The Audit Committee also reviewed, discussed and approved the financial statements for the year ended 31 December 2021.

REMUNERATION COMMITTEE

In 2021, the Remuneration Committee comprises Ms Leung Sau Fan, Sylvia (Chairman) and Mr Wang Xiaojun, both being Independent Non-Executive Directors, and Mr Hua Chongzhi, being a Non-Executive Director. The Remuneration Committee takes the role of advisory and proposes to the Board on the emoluments of the Directors and senior management with regard to the operating results of the Company, the individual performance and the comparable market information.

NOMINATION COMMITTEE

In 2021, the Nomination Committee comprises Mr Zhou Limin (Chairman), being the Chairman and Executive Directors, and Mr Liu Xudong, being a Non-Executive Director, and Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun, all being Independent Non-Executive Directors. Main functions of the Nomination Committee are to review the structure, size and composition of the Board in order to implement the Company's strategy.

ENVIRONMENT, SOCIAL & GOVERNANCE COMMITTEE

The Environment, Social & Governance ("ESG") Committee of the Company was established on 30 March 2021, it has a membership comprising Mr Zhou Limin (Chairman), the Chairman and Executive Director, Mr Hua Chongzhi, a Non-Executive Director, and Mr Luo Zhenbang, an Independent Non-Executive Director. The responsibilities of the ESG Committee are to establish the policies and its reporting relating to environment, social and governance.

DIVIDEND

The Board recommended a final dividend of HK2 cents per share for the year ended 31 December 2021 (2020: HK2 cents) payable to the shareholders whose names appeared on the Register of Members of the Company on Tuesday, 5 July 2022.

STATEMENT OF COMPLIANCE

The financial information relating to the years ended 31 December 2020 and 2021 included in the Announcement does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Hong Kong Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2021 to the Hong Kong Registrar of Companies in due course. The Company's auditor has reported on the financial statements of the Company and the subsidiaries for both years ended 31 December 2020 and 2021. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 24 June 2022. Notice of which will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company and dispatched to the shareholders of the Company in such manner as required under the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

To ensure shareholders the right to attend and vote at the Annual General Meeting and to qualify for the distribution of final dividend, the Register of Members of the Company will be closed and details of which are as follows:

(1) To ensure Shareholders the right to attend and vote at the Annual General Meeting:

Latest time for lodging transfers of shares and related documents for registration	:	4:30 p.m. on Monday, 20 June 2022
Closure of Register of Members	:	from Tuesday, 21 June 2022 to Friday, 24 June 2022 (both days inclusive)
Record Date	:	Friday, 24 June 2022

(2) To ensure Shareholders the right to qualify for the distribution of final dividend:

Latest time for lodging transfers of shares and related documents for registration	:	4:30 p.m. on Wednesday, 29 June 2022
Closure of Register of Members	:	from Thursday, 30 June 2022 to Tuesday, 5 July 2022 (both days inclusive)
Record Date	:	Tuesday, 5 July 2022

The Register of Members of the Company will be closed at the abovementioned periods. To ensure Shareholders the right to attend and vote at the Annual General Meeting and to qualify for the distribution of final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration on or before 4:30 p.m. on Monday, 20 June 2022 and Wednesday, 29 June 2022 respectively. Subject to approval by the Shareholders at the Annual General Meeting, dividend warrants are expected to be despatched to the Shareholders by post on or around Friday, 22 July 2022.

APPRECIATION

On behalf of the Board, I express my profound gratitude to all the staff for their dedication and loyal services, especially those who stuck to their posts with unremitting efforts during the difficult time of the spread of the novel coronavirus. Grateful thanks are also due to shareholders, bankers, business partners and members of the community who have supported the Company's development all along.

Hong Kong, 31 March 2022

By order of the Board,
Zhou Limin
Chairman & Executive Director

At the date of this announcement, the Board of Directors of the Company comprises:

Executive Directors

Mr Zhou Limin(*Chairman*)
Mr Jin Xuesheng (*President*)

Non-Executive Directors

Mr Liu Xudong
Mr Hua Chongzhi
Mr Mao Yijin

Independent Non-Executive Directors

Mr Luo Zhenbang
Ms Leung Sau Fan, Sylvia
Mr Wang Xiaojun

* *These PRC entities do not have English names, the English names set out herein are for identification purpose only.*